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TAGS: [EPET](#) [ENRG](#) [EAID](#) [SOCI](#) [PGOV](#) [KPAO](#) [IZ](#)
SUBJECT: IRAQI OIL MINISTRY'S PENDING HUMAN RESOURCES CRISIS

REF: A. NEA/I 9/11/08 CLASSIFIED O-I (NOTAL)
[1](#)B. BAGHDAD 2951
[1](#)C. 07 BAGHDAD 3095

Classified By: EMIN Ambassador Marc Wall, reasons 1.4(b,d)

[1](#)1. (SBU) Summary: With the retirements in the next few years of its top cadre, who are on one-year waivers of the mandatory 63-year-old retirement age, the Ministry of Oil will lose a generation that has the international exposure and experience to lead the Ministry during a period when it restructures in response to eventual passage of hydrocarbons legislation and as Iraq opens access to its oil and gas fields to foreign investors. We can mitigate this outcome by urging the GOI to extend additional age waivers, but, in the long run, we should assist the Iraqi government to restore its human resource capability, whose decline has affected the Ministry of Oil and other ministries. End summary.

A Lost Generation

[1](#)2. (SBU) The Iran-Iraq War, the Gulf War, and subsequent UN sanctions had a broad economic impact on Iraq, but also served to isolate two generations of Iraqi youth. As a result, Ministry of Oil (MoO) employees can be divided into two broad categories. MoO's leadership, 55 to 63 years old (note: the mandatory retirement age is 63), began their employment in the pre-Saddam era. They were often the beneficiaries of government scholarships and studied in the U.S. or United Kingdom. As a result, they speak fluent English and have the understanding and experience to run a large organization and deal with the international market. Below this level, however, the level of expertise drops off sharply. MoO's rank-and-file often received their training strictly in Iraq, and speak and read English poorly. Their experience in dealing with the international community is meager.

[1](#)3. (SBU) MoO has also been affected by Iraq's "brain drain," which has seen many of Iraq's best and brightest flee to seek opportunities in other countries. Even during the Saddam years, although the level undoubtedly dropped off over time, Baghdad's elite educational establishment continued to provide English language education since English fluency was a mark of status dating from the British Mandate era. The Baghdad School of the University of Baghdad, which provides primary and secondary education, emphasized English language skills, and Baghdad University itself taught classes in technical subjects, such as petroleum engineering, in English. The best English speakers, however, undoubtedly were not drawn to poorly paid government employment or would have sought employment elsewhere at the first opportunity. English skills of younger MoO employees have also become rusty.

And Declining Educational Standards

14. (C) The younger generation of employees has also been affected by a decline in educational standards. In a September 8 conversation (ref A), the Iraqi department chair of architectural engineering at a Baghdad university described the state of Iraq's engineering education to NEA/I. Engineering laboratories at Iraqi universities had suffered from widespread destruction, which limited the ability to teach current engineering concepts and techniques. Up-to-date textbooks and high-speed internet connections were also required. NEA/I's interlocutor also said his university research budget had been eliminated for the past several years. He claimed that, from about 2004 through 2007, over 5,000 engineers, scientists, and educators had been targeted and killed. These killings, along with the flight of tens of thousands of other scientists and engineers to safer countries, had ravaged the engineering and scientific expertise of Iraq, he asserted. Based on a visit to a leading U.S. university, he estimated that Iraqi engineering and engineering education is 25 years behind state-of-the-art. Obsolete engineering knowledge made working with international contractors difficult or impossible.

The Old Guard -----

15. (SBU) Dathar Ayoub al-Khashab, Director General of the Midland Refinery Company, is an example of MoO's current top leadership. He is 63-years-old, but received a one-year extension of employment and waiver of mandatory retirement. He has 38 years with MoO, with 34 of those years at the Daura

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Refinery in Baghdad, and has been DG of Midland Refinery since 2003. During a meeting, Dathar told us that, in the 1960s, the Iraqi government had the practice of sending its brightest students to study in England on the basis of their performance on a national examination. After graduation from secondary school in 1961, he had been lucky enough to be among the 40 students who had received such scholarships and had studied at the University of Sheffield and Exeter College, receiving a B.Sc. with honors. Dathar remained in England for six years. He noted that his peers, who have several decades of MoO experience, number a handful.

16. (U) Prime Minister Maliki had instructed that individuals who are at retirement age can only be given one extension, although the law allows up to three. Within MoO, several key individuals are on their first extension, but we understand that MoO is working on an additional extension. In addition to Dathar, they are:

Samir Michael As'ad	DG, Technical Directorate
Natik al-Bayati	DG, Petroleum Contracts and Licensing
Ahmad al-Shamma	Deputy Minister

A Politicized Ministry -----

17. (C) MoO has also been affected by Oil Minister Shahrستاني's determined efforts to remove the Sunni technocrats and specialists who had previously constituted the backbone of the MoO bureaucracy. Shahrستاني, a nuclear scientist and Shia, says he was imprisoned and tortured for 11 years by the Saddam regime after refusing to work on its nuclear weapons program. In ref C, Deputy Minister Mo'tasam, a Kurd, also claimed that Shahrستاني, who has close family ties to Grand Ayatollah Muhammad Ali al-Sistani, was bending to Tehran's will in shaping MoO policies. In a more recent conversation, Mo'tasam, who has his own armored car and Peshmerga security, criticized Shahrستاني for failing to provide adequate security for the other two deputy ministers, both Shia.

18. (C) The MoO's top leadership at the Oil Complex Building

on Port Saeed Street is now almost exclusively Shia, with the exceptions of Mo'tasam and Sameer Michael, Technical Directorate DG and a Christian. At the operating companies, Dathar of the Midland Refining Company (located at the Daura refinery) is a Sunni, as are the Directors General of the North Refining Company, Ali al-Obaidi, and the North Oil Company, Sheikh Manaa al-Obaidi. (Dathar noted to us that, at the height of the sectarian violence, he refused to attend meetings at the MoO headquarters.) In addition to Mo'tasam, the DG of the North Gas Company, Huner Hassan, is a Kurd. One DG particularly lamented the decline in the Planning Directorate's capabilities. The Planning Directorate used to be highly selective, taking the cream of MoO's bureaucracy with selection to the Directorate viewed as a high honor and an affirmation of an individual's experience and expertise. Now, the DG said, under DG Fayadh Hassan Nima, the directorate was led by someone with insufficient experience and staffed by the same.

The Way Forward

¶9. (SBU) Someone like Shahrastani, who lacks petroleum technical qualifications, must rely on his staff to advise and support him well, particularly in the development of the contractual arrangements to bring in foreign expertise. With the imminent retirement of MoO's senior bureaucrats, we can expect instead to see a sharp decline in MoO capability in just a few years. The loss of Dathar, who has done yeoman work at Midland Refinery, will be particularly keenly felt. The wave of retirements will complicate our relationship with the ministry, as we are required to assign Arabic-language qualified officers more consistently or use interpreters at meetings, with the consequent loss of an easy interaction.

¶10. (SBU) In addition to urging continued waivers to the mandatory retirement age in the short run, we should continue our focus on the technical assistance and training and education support that the Ministry of Oil and other ministries will require to rebuild their human resources. USAID programs, like Tatweer, are already moving in this direction. On a broad front, we will need to assist in the improvement of English language instruction (ref B), take steps to strengthen universities' capabilities to provide engineering and science specialties, and expand Iraqis' opportunities to study abroad. While the GOI is working on their 10,000 students' scholarship program, which we anticipate will send a significant portion to the U.S., we

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could also consider providing opportunities to study in the U.S. along the lines of what we offered to the successor states of the Soviet Union through the FREEDOM Support Act. In the meantime, MoO will have to turn to foreign consultants and contractors to bridge the gap until it can bring its staff's education and experience to the required level. MoO should also relax its rules to allow retired employees to be brought back on board as consultants without loss of their pensions.

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